

HOUSE BILL REPORT

ESSJR 8206

As Passed House:

April 20, 2007

Brief Description: Creating the budget stabilization account in the state Constitution.

Sponsors: By Senate Committee on Ways & Means (originally sponsored by Senators Brown, Zarelli, Eide, Hewitt, Haugen, Franklin, Kilmer, Kauffman, Marr, Rasmussen, Berkey, Sheldon, Keiser, Tom, McAuliffe, Parlette and Rockefeller; by request of Governor Gregoire).

Brief History:

Committee Activity:

Appropriations: 4/16/07 [DP].

Floor Activity:

Passed House: 4/20/07, 74-23.

Brief Summary of Engrossed Substitute Bill

- Amends the state Constitution to establish a Budget Stabilization Account, into which 1 percent of general state revenues is deposited annually.
- Authorizes the Legislature to appropriate from the Budget Stabilization Account with a majority vote if forecasted employment growth is less than 1 percent or upon a declaration of emergency due to a catastrophic event, and with a three-fifths vote otherwise.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 21 members: Representatives Dunshee, Vice Chair; Alexander, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Buri, Chandler, Conway, Ericks, Fromhold, Grant, Hunter, Kenney, Kessler, Kretz, Linville, McDonald, McIntire, Morrell, Priest, Seaquist, P. Sullivan and Walsh.

Minority Report: Without recommendation. Signed by 11 members: Representatives Sommers, Chair; Anderson, Cody, Darneille, Dunn, Haigh, Hunt, Kagi, McDermott, Pettigrew and Schual-Berke.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Kristen Fraser (786-7148).

Background:

Initiative 601, adopted by the voters in 1993, established by statute a State General Fund (GFS) expenditure limit and created the Emergency Reserve Fund (ERF). All GFS revenues in excess of the state expenditure limit are deposited in the ERF. (After July 1, 2007, GFS revenues in excess of GFS's proportionate share of expenditures from the GFS and related funds will be deposited in the ERF.) Appropriations from the ERF require a two-thirds vote of both houses of the Legislature.

Initiative 601 established an expenditure limit that applies to the GFS, and, after July 1, 2007, also to certain related funds. Under the expenditure limit laws, the limit is lowered if moneys are transferred from the GFS or a related fund to another fund or account, or if program costs are shifted from the GFS or a related fund to another fund or account.

The term "general state revenues" is defined in the state Constitution as being all state revenues that are not dedicated to a particular purpose. General state revenues thus consist of all revenues to the GFS, with the exception of property tax revenues, which are dedicated to the common school system.

Summary of Bill:

The state Constitution is amended to establish a Budget Stabilization Account. Each fiscal year, 1 percent of general state revenues is deposited in the Budget Stabilization Account.

The Legislature may appropriate moneys in the Budget Stabilization Account with a constitutional majority for a particular fiscal year if:

- (1) forecasted state employment growth is less than 1 percent; or
- (2) the Governor declares an emergency due to a catastrophic event that necessitates government action to protect life or public safety, and the appropriation is limited to the purposes of the declaration.

Other withdrawals from the Budget Stabilization Account may be made only by a three-fifths vote of each house of the Legislature.

The Budget Stabilization Account retains its own investment earnings. To the extent that the balance of the Budget Stabilization Account exceeds 10 percent of general state revenues, the Legislature may appropriate the excess balance to the Education Construction Fund (which is statutorily dedicated to K-12 and higher education construction projects).

Employment forecasts and revenue estimates for the Budget Stabilization Account are made by the Economic and Revenue Forecast Council.

The Legislature may enact legislation to implement the Constitutional amendment.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) This bill and constitutional amendment create an automatic savings account that will help the state deal with its structural budget deficit. There was bipartisan debate in the Senate regarding the emergency declaration and access to the fund. We have concerns about the amendment. The paramount duty exception could include new program development.

Small business has been asking for this. The Budget Stabilization Account assures that taxes won't increase just because of a budget problem or a drop in revenue. The 1 percent contribution is small but ensures the stability of the account. The three-fifths vote requirement works for any part of the budget, not just pieces. The constitutional amendment protects the people.

The Governor is committed to creating and maintaining an adequate reserve. Now is the time to find the capacity to set up a constitutionally protected fund as passed by the Senate. The fund is set up for tough times, and the trigger should be limited to an economic downturn; there is a close correlation between the 1 percent job growth figure and economic downturns.

(Opposed) None.

Persons Testifying: Amber Carter, Association of Washington Business; Carolyn Logue, National Federation of Independent Businesses; and Victor Moore, Office of Financial Management.

Persons Signed In To Testify But Not Testifying: None.